



Coconino County
Finance Department
Directors of Special Initiatives
219 E. Cherry Ave.
Flagstaff, AZ 86001-4695
Phone : (928) 779-6576
Fax: (928) 779-6893
E-Mail: landreani@coconino.az.gov

July 21, 2008

«Name»

«Address»

«City_», «St» «Zip»

Dear Hashknife Trail County Improvement District Member,

The purpose of this letter is to inform you that the District has completed the transfer of all Rights-of-Way (ROWs) required along Hashknife Trail and will be proceeding to the next step in the improvement district process. Importantly, the resolution of the rights-of-way issues along with physical changes along Hashknife Trail (new and changed driveways) has an impact on the cost of the project and this will be discussed below.

After securing all of the other rights-of-way, Ms. Clark, the property owner at the end of Hashknife Trail, indicated that she was not amenable to providing a right-of-way (ROW) without some reduction to her assessment. The district engineer was asked to identify approaches to designing the cul-de-sac to avoid the Clark property to avoid any additional cost for securing the right-of-way. After evaluation, it was determined that the additional cost for re-design and construction, plus the cost to modify the existing rights-of-way with other properties in that area would exceed the compensation requested by Ms. Clark, which totals \$5,000. An agreement was then reached with Ms. Clark to provide a \$5,000 credit toward her assessment in exchange for the ROW. I want to thank Jon Rozelle and Justin Murphy for assisting with these negotiations and resolving the issue with limited impact to the district.

In addition to the right-of-way credit, there have also been increases to the engineering costs. Based on requests for plans by district members and changes to driveways in the district, the district engineer had to make modifications to the plans. These changes, in addition to the costs associated with completing the remaining engineering tasks, will total approximately \$8,000.

The new additional costs for the engineering are included in the revised Engineer's Estimate, which is attached. Please note that the estimate includes:

- Capitalized Interest, which is equal to the total amount that will be financed over a seven month period at an estimated annual interest rate of 7.5%. The capitalized interest rate is an estimate and it will ultimately reflect the interest rate for the financing and be multiplied by the amount to be financed. For example, for the North Stardust district that was recently financed, the finance and capitalized interest rates are 4.9% based on a competitive bid from a local bank.
- Reserve Fund, which is calculated by taking 10% of the total amount that is financed. Again the Reserve Fund is an estimate because the final total Reserve Fund reflects the amount financed, which is the total district assessment minus whatever payments are made upfront by district members. As you recall, district members will have a 30 day window to pay all or a portion of their assessment upfront. The remaining cost after the upfront payments is what goes to financing/bond.

Also attached is the revised detailed assessment for each parcel reflecting the changes noted above. As agreed to previously, Vankat and Despain's assessments are capped at \$25,000 and \$32,144 respectively. Ms. Jennifer Clark will receive a \$5,000 credit towards her assessments (she has two assessments reflecting two parcels). I also want to remind you that the construction cost will reflect the most responsive and qualified competitive bid, which cannot exceed the Engineer's Estimate. Thus at this stage all assessments are capped at the level shown on the attached sheet. The assessments are calculated using the full cash value from the engineer's estimate since we do not know to what level any individual property owner will elect to finance their assessment. Financing costs will be added based on the level each property owner elects to finance.

The District can now proceed with the next steps in the process. The next step is for the Board of Directors to approve the Resolution of Intention (ROI). The ROI authorizes the District to proceed with the next step in the process, which is to hear protests and objections. A twenty-day notice period is initiated for persons to protest or object after the ROI has been approved. I expect the ROI to be approved by the Board of Directors on August 5 and thus the twenty-day notice period will begin shortly thereafter. You will receive a formal communication of the notice period. The statute establishes very strict guidelines for filing protests and objections. The requirements are attached and outlined below.

A "protest" is like a vote against the project. Per the statute, protests can be filed on any grounds if a district member disapproves of the project. If over 50% of the district members file protests, then the Board cannot proceed with the project unless over 50% of the district members thereafter petition for the work to be done. After 6 months, the Board could try again with a new ROI and a new protest period.

A property owner in the District can file an "objection" to the extent of the assessment boundaries if the owner believes that their property will not benefit from the improvement (not served by the roads that are to be improved), or that a person outside the assessment boundaries will be benefitted by the improvement and should be included within the assessment boundaries. If substantial protests or any objections are received during the protest period, then a hearing is held by the Board of Directors to discuss the protests and objections. If the objections are resolved or not deemed valid objections, or if less than 50% of the district members protest, then the next step is for the Board to order the work (release requests for construction bids). The statute governing the notice period and protests and objections is attached. Please feel free to contact me if you have questions. Like most statutes, it's not an intuitive communication piece.

Our goal is to hold the ROI meeting with the Board on August 19 and then to hold the hearing/order the work meeting in September (tentatively scheduled for Sept. 16). Taking into account the construction season is coming to a close, our goal is to release the request for bids in late winter/early spring 2009. This is deemed the best time to receive competitive construction bids. At the same time we will bring the assessment methodology to the Board for final approval. If the process proceeds as expected, then the district would go to construction in early summer.

I would like to thank all of you for your patience and understanding during this long process.

If you have any questions or concerns, then please call me at (928) 779-6576 or Esliir Musta at (928) 679-7176. All the information attached along with this letter is also on the County's website at www.coconino.az.gov/roadimpdist.aspx.

Sincerely,

Lucinda Andreani
Director of Special Initiatives